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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 5, 1982

TO THE CONGRESS OF THE UNITED STATES:

I am pleased to submit the National Materials and Minerals Program Plan and Report to Congress, pursuant to the National Materials and Minerals Policy, Research and Development Act of 1980.

This national minerals policy recognizes:

- the critical role of minerals to our economy, national defense, and standard of living;
- the vast, unknown and untapped mineral wealth of America and the need to keep the public's land open to appropriate mineral exploration and development;
- the critical role of government in alerting the Nation to minerals issues and in ensuring that national decision-makers take into account the impact of their decisions on minerals policy; and,
- the need for long-term, high potential payoff research activity of wide generic application to improve and augment domestically available materials.

This policy is responsive to America's need for measures to diminish minerals vulnerability by allowing private enterprise to preserve and expand our minerals and materials economy.

RONALD REAGAN

THE WHITE HOUSE,

April 5, 1982.

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NATIONAL MATERIALS AND MINERALS PROGRAM PLAN AND REPORT TO CONGRESS

Introduction

During the 1980 campaign, I expressed to the American people my deep concern regarding the increasing dependence of the United States and the free world upon foreign sources for strategic and critical minerals. I raised concerns regarding the state of the materials stockpile as well as government policies which have inhibited and hindered the ability of Americans to produce and supply these vital resources. I established a Strategic Minerals Task Force, which subsequently reported to me, suggesting administrative and legislative actions to address these important questions.

On March 13, 1981, I called for the expenditure of $100 million for the first major additions to the stockpile in over twenty years. $78 million went to purchase cobalt, a material which was then at less than 50 percent of our stockpile goals. At that time I indicated that I would take further action regarding strategic minerals.

I hereby transmit to the Congress my recommendations and a report on the activities to be undertaken by this Administration to reduce America's materials vulnerability. These actions do not represent, nor should they be interpreted as, the total solution to America's minerals and materials

problems. Nor should all import dependence be interpreted as vulnerability. Rather, these steps will begin to focus the attention of the nation on those specific mineral availability and processing problems that are posed to our economy and our national security by dependence on insecure sources where useable substitutes are not readily available. These actions represent a serious concern and commitment, the first such Presidential commitment in nearly three decades.

On October 21, 1980, the National Materials and Minerals Policy, Research and Development Act of 1980 was signed into law. That Act mandated a report to the Congress regarding actions taken by the Administration to implement it. This report is presented in response to that mandate.

Statement of Policy

It is the policy of this Administration to decrease America's minerals vulnerability by taking positive action that will promote our national security, help ensure a healthy and vigorous economy, create American jobs, and protect America's natural resources and environment.

Land Availability

Large amounts of federal land — estimates vary from 40 percent to 68 percent — are now closed to mineral exploration and development at a time when the nation has become increasingly dependent on foreign sources for many strategically important minerals.

Although these minerals are important to our civilization, our standard of living, and our defense, less than three-tenths of one percent of the nation has ever been disturbed by mining.

Much of our public land is highly mineralized, but large amounts of that land now lie off limits to exploration and development.

Therefore, this Administration will continue to inventory federal land to determine the mineral availability and potential of that land, while protecting the environment and preserving for future generations those natural resource areas set aside by law for special purposes. To achieve a proper balance between wilderness and mineral needs of the American people, the Administration will seek legislation to preserve wilderness lands, to release from continuing uncertainty non-wilderness lands for multiple use, to ensure the availability of information regarding the mineral potential of wilderness areas, and to permit a reexamination of national wilderness policy in the year 2000.

Because large amounts of federal land have been withdrawn from mineral entry by obsolete and unnecessary Executive actions, this Administration will solicit from the public recommendations on public land to be made available for exploration and development, and will focus immediate attention on those areas. In addition, this Administration will accelerate the review of lands withdrawn from mineral exploration and revoke obsolete withdrawal orders, will continue a rapid withdrawal review program for Alaska lands, and will open to mining those lands withdrawn from operation of the General Mining Laws but which are open to operation of the leasing laws.

To ensure that minerals location is considered by the Congress in future Congressional withdrawals of lands, the Executive agencies will, when appropriate, prepare and present to the Congress strategic and critical minerals impact analyses as a part of this Administration's comments on proposed future withdrawals.

The Administration is also seeking to reduce our future dependence on potentially unstable foreign sources of minerals by eliminating barriers to the development of the mineral resources of the deep seabed.

Unfortunately, the current draft Law of the Sea Treaty would create a burdensome international regulatory regime that would in effect discourage, if not prevent, deep seabed mining. Therefore, as I announced on January 29, we are seeking major revisions in the draft treaty at the current United Nations Conference on the Law of the Sea, so that the draft treaty would encourge deep seabed mining and meet other basic U.S. national interests.

Minerals Data

We recognize the critical role that minerals and materials play in our highly industrial economy, and the unpredictability of international events affecting the reliability of minerals supply. This Administration will therefore continue to collect minerals data and use it in monitoring trends and events affecting supply and demand. We will consult with other nations to improve the exchange of minerals information, and will do the same between federal agencies and States, and between the public and private sectors.

Research and Development

The favorable tax incentives in the Economic Recovery and Tax Act stimulate private research and development to ensure the availability of the materials essential to the nation's economy and national defense. Any government-financed research and development activities will concentrate on long-term, high-risk, high potential payoff projects with the best chance for wide generic application to materials problems and increased productivity. Mission-specific programs of the Department of Defense are an exception to this policy. Existing federal programs are being assessed to ensure conformity to this policy.

Regulatory Reform

The Administration will continue its review and reform of excessively burdensome or unnecessary regulations and statutes which adversely affect the domestic minerals industry. A summary of efforts to date is included as Appendix A.

Stockpile Policy

The security of America's foreign sources of materials can no longer be ignored. The United States imports more than half of our total supplies of twenty strategic materials. This Administration has undertaken the first stockpile purchase program in twenty years. We endorse the policy that the stockpile should be sufficient to meet military, industrial, and essential civilian needs in support of the national defense in a crisis.

To achieve this goal, the Administration will seek Congressional approval to sell the excess reserves of materials currently in the stockpile. We are seeking Congressional appropriations to acquire necessary stockpile materials. We will use exchanges and barter to acquire additional stockpile materials when in the best interest of the country.

We will direct a panel of experts to review the quality of materials in the stockpile and recommend such actions as may be necessary to ensure the quality of the stockpile. Finally, this Administration will rely primarily upon purchases on the open market to build the Nation's stockpile necessary for the national defense and national security.

Cabinet Council on Natural Resources and Environment

Strategic and critical material issues concern many federal departments and agencies. During the course of the Cabinet review, approximately twenty governmental bodies were involved in various aspects of the issue. There is a clear need for coordinated and focused attention to ensure the full and complete implementation of a national materials policy and the capability of the United States to address and respond to materials problems, particularly where the national security is concerned.

The involvement of numerous federal agencies in the materials issue reflects both the breadth of the issue, not only in the government but in the economy, as well as the existence throughout government of statutorily assigned missions and responsibilities which relate to materials policy.

It is therefore the position of this Administration that national materials policy will be coordinated through the Cabinet Council on Natural Resources and Environment. This will ensure high level consideration of important materials policy issues on a timely basis with the capability of prompt action on such issues by the President. The Cabinet Council requires minimum administrative staff, relying for detailed analysis upon the various agencies and departments which have ultimate statutory responsibility for implementation.

LAND AVAILABILITY

Background

Federal lands, totaling some 734 million acres, represent a vast, largely undeveloped storehouse of resources that are important to the nation's welfare. Among the most significant of these resources are minerals, particularly those of strategic importance to economic and national defense goals. Increasing amounts of federal land have been closed to mineral exploration and development while dependence on foreign sources has grown and the security of supply from some areas has been questioned.

The use of federal lands has been restricted for a variety of reasons by various mechanisms over a number of years. The majority of such restrictions have been imposed by Congressional action or formal Executive withdrawals, but there are also segregations of federal land arising from administrative actions that amount to "de facto" withdrawals.

In 1980, the Bureau of Land Management promulgated surface management regulations which prevent undue degradation of public lands by mining activities. These regulations, authorized by the Federal Land Policy and Management Act (FLPMA), (similar regulations for national forests were promulgated by the U.S. Forest Service in 1974) make many of these past "protective" withdrawals unnecessary.

Until passage of FLPMA, authorities and administrative responsibility for Executive withdrawals were not clear, and among the consequences were a welter of overlapping withdrawals, lack of any central record of withdrawn lands, and an accumulation of obsolete or otherwise unnecessary withdrawals. FLPMA required a review of certain withdrawals, to be completed by 1991, revoking those that are not "... consistent with the statutory objectives of the programs." All types of withdrawals for other agencies, and withdrawals from mining and mineral leasing for national forests and land administered by the Bureau of Land Management, are to be reviewed.

New mineral deposits will not be found unless the private sector looks for them. It is to the nation's advantage to encourage this search. Government has a responsibility as owner of most of our better mineral lands to minimize unnecessary restrictions that limit that search. Economic use of our natural resources allows decisions to be based on full information of all values that are involved. Preservation of wilderness areas, for example, is an important goal that must be balanced against others, such as the national security.

Issues and Actions

1. Under the terms of the Wilderness Act of 1964, significant federal acreage (about 13 percent of all withdrawn lands) will become permanently inaccessible for mineral exploration and development, subject to valid existing rights, on January 1, 1984. While wilderness land is now open to leasing, virtually

no leasing has been permitted under the discretionary authority provided. In the 1964 Act, Congress clearly intended to permit exploration of wilderness areas in the time provided. However, because of past bureaucratic resistance and the uncertainty of obtaining permission to develop, exploration has not occurred, even though minable deposits are known to exist in some areas and there are significant chances for discovery in others.

The Administration will seek legislation to withdraw from mineral appropriation and leasing all wilderness and wilderness study areas pending Executive or Congressional action until the year 2000. The legislation will permit the continuation of energy and mineral exploration activities that ensure the protection of the land values. The legislation will permit development of wilderness lands during a period of national emergency, upon a finding by the President of urgent national need. Also, the Department of the Interior will report to the Congress every five years regarding the energy and mineral potential of wilderness and wilderness study areas and the resource opportunities foregone, permitting an informed reexamination of national wilderness policy during the 106th Congress. The Administration will seek a limitation upon the period of time that public lands may be withheld as wilderness study areas, setting dates after which time, without Congressional action, those lands would revert to multiple use.

2. An unknown amount of federal land is removed from entry by obsolete or otherwise unnecessary withdrawals. The Federal Land Policy and Management Act allows fifteen years to review previous withdrawals. Additionally, an estimated 5.6 million

acres of federal land are closed to mineral exploration by federal applications for withdrawal which pre-date the Federal Land Policy and Management Act. The law allows these segregations to remain in effect until 1991, while new applications can segregate lands for only two years.

Millions of acres of federal lands (from 10 to 60 million acres) are open to leasing but closed to operations under the Mining Law, which suggests that controlled mineral activity may not be inconsistent with the purpose of the withdrawals. When review is conducted, it may fail to focus on the highest priority lands, that is, those most likely to have important mineral deposits. Additionally, administrative processing of revocations is inefficient, and there is a general lack of current, accurate information on federal land status.

The Administration will issue an invitation to the public to nominate areas of high mineral interest and use those nominations to identify "Areas of Critical Mineral Potential" as an overlay of existing land use designation in selected areas for priority withdrawal review.

The Administration will take other steps to stimulate land availability:

— There will be an acceleration of withdrawal reviews now scheduled to be completed by the end of FY 1991.

— All federal agencies will perfect pre-Federal Land Policy and Management Act withdrawal applications as soon as possible; segregation of those lands will then end, absent a withdrawal order.

-- We will open to operation of the General Mining Laws those lands now withdrawn by Executive or Secretarial Order, but which are open to operation of the leasing laws; but Congressional and military withdrawals would not be affected.

-- All federal agencies will inform promptly, and consult with, the Interior Secretary prior to any new withdrawal.

The Administration will issue "blanket" revocations for certain categories of withdrawals citing public land orders that withdrew such lands, thus saving administrative work-years and Federal Register publication costs while revoking an estimated 400 separate outdated withdrawals.

The Administration, in commenting on future land withdrawals, will, where appropriate, prepare and submit to Congress strategic and critical minerals impact statements to ensure informed Congressional decisionmaking. Additionally, in the annual report required by the Mining and Minerals Policy Act of 1970, the Administration will provide to the Congress a strategic and critical minerals estimate of the amount of federal land which is administratively withdrawn from operation of the General Mining Laws, and ask Congress to consider carefully the potential impact on America's mineral needs of designating more lands for withdrawn status.

3. There has been a series of reports in recent years deploring the lack of current, accurate information regarding federal land status and, more particularly, the availability of that land for mineral exploration. While special surveys, such

as those conducted by the Office of Technology Assessment, Bennethum and Lee, and the Department of the Interior, provide some understanding of land availability and thereby some policy guidance for land use decisions in both the Executive and Legislative Branches, that information quickly becomes outdated. Thus, if the specifics of land availability are to provide the background for land use decisions, there exists a need for a system revealing the degree of availability.

The Administration will examine the state and quality of federal land use data and the systems available for improving the inventorying and cataloging of the status of federal land.

MATERIALS RESEARCH AND DEVELOPMENT

Introduction

Mineral resources, the basis of materials supply, are vital to defense and to a healthy economy. The entire materials cycle is a fundamental component of economic production and technological innovation. Technological innovation has always played a major role in meeting the problems of materials supply.

It is generally agreed that the United States has recently been exhibiting a lowered rate of productivity growth, and that an increased pace of technological innovation is needed. In many cases America's ability to compete with other nations in the world marketplace has been reduced because productivity has lagged behind wages, which has also contributed to inflation. As a result, the domestic minerals industry is no longer as advanced in mineral processing technology as many of America's foreign competitors.

Government's Role

Since business enterprise is the primary engine of technological change, the driving force behind technological innovation through research and development is the expectation of a satisfactory return on invested capital. If there are circumstances, either real or perceived, which increase cost, increase the time to commercialization, increase risk or otherwise reduce the return on investment, innovation will be discouraged. Thus the first and perhaps most important

requirement for materials research and development is the existence of a favorable business and political climate which encourages both the initiation of the innovative process (financing research and development activities) and the undertaking of steps leading to commercialization (applied research and development).

A critical element of materials research and development activities, and an area of traditional government support, is the basic research necessary to the development of a scientific data base. This requires close coordination between agency programs addressing supply problems and those addressing materials manufacture and performance.

In addition, government intervention in, and assistance of, technological development is appropriate only where market forces are incapable of achieving clearly defined national objectives. Thus government's attention regarding research and development activity should focus on long-term, high-risk potentially high-payoff technology that has the best chance for wide generic application.

To fulfill this role, the Administration will:

1) create a business and political climate which will encourage private sector research and development;
2) stimulate constructive coordination between industry and government in the area of technological innovation; and,

3) focus and direct other government financed research and development activities on long-term, high-risk technology with the best chance for wide generic application to materials problems.

Regulatory Reform

As part of its effort to eliminate excessive and unnecessary regulations, the Administration will initiate an inquiry into federal regulatory policies that discourage private materials research and development activities.

Government-Industry Coordination

The Administration will, through the Office of Science and Technology Policy in concert with each department and agency with a significant materials research and development program, direct senior officials to maintain or create effective mechanisms for constructive coordination of mineral and materials research and development. This will include both basic research and current government programs of materials substitution research.

International Research and Development

The Administration will formally establish contacts with the European Communities and other free world countries for exchange of information on materials research and development activities.

IDCA Trade and Development Program

The Trade and Development Program (TDP) of the International Development Cooperation Agency (IDCA) is giving new emphasis to strategic minerals and metal-related

development activities, in accordance with its legislative mandate. This will broaden opportunities for the U.S. private sector to participate in the development and diversification of foreign sources of supply of strategic and critical materials.

Intragovernmental Coordination

The Administration reaffirms the Committee on Materials (COMAT), under the direction of the Federal Coordinating Council on Science, Engineering, and Technology (FCCSET) for the coordination of federal materials and minerals research and development activities, directing:

1) Assistant Secretary-level representation from the departments and agencies concerned with minerals and materials;
2) placement within COMAT of the Department of Defense Material Availability Steering Committee and the Interagency Materials Group;
3) establishment of a Working Panel within COMAT to coordinate federal research and development on essential materials;
4) establishment of a formal mechanism within COMAT for information exchange between agency materials research and development program managers; and,
5) policy resolution of materials research and development questions will be provided through the Cabinet Council on Natural Resources and Environment.

MINERALS AND MATERIALS DATA COLLECTION

Introduction

Increasing U.S. reliance upon foreign sources for minerals, especially those vital to a modern defense system, the unpredictability of events that could affect the reliability of mineral supplies, and the expanding role of governments in determining the flow of minerals in international trade, require that policy makers have access to adequate information and analytical systems. While a number of federal agencies have long acquired, maintained and analyzed such data, the coverage, quality and reliability of foreign data, and the inadequate coordination of domestic data, have limited its usefulness.

The importance of mineral information has been consistently identified by every major mineral policy study commissioned by the Federal Government in the last thirty years. These studies and others have also urged better analytical capability to improve the integration of mineral concerns into the policy process.

Worldwide, it is generally agreed that the statistical reporting of minerals information by the U.S. Government is unsurpassed. Nonetheless, the complexities of other national goals which may conflict with future domestic productive capacity require improvements in data collection and analytic support. Similarly, the complexities of problems that can

affect the flow of minerals in international trade, an essential element of U.S. supply, require a better understanding of the data and the impacts of policy options.

Mineral information and analysis can provide guidance on policies affecting the strategic stockpile, land use, tax and tariff, trade, investment, research and development, environmental protection, and other aspects of domestic and foreign policies.

Foreign Minerals Data and Analysis

The Administration will strengthen the Regional Resource Officer (RRO) program. The Department of the Interior will establish a formal minerals training program for all State Department personnel assigned to RRO positions, with emphasis on mining and minerals processing, marketing arrangements, and minerals policies.

The Administration will initiate discussions designed to improve the exchange of policy-oriented minerals information among market economy countries, to encourage the exchange of information on mineral investment problems, to improve the consistency of statistical reporting, and to consult on issues relating to selected strategic minerals.

Domestic Minerals Data and Analysis

The role of the Federal Government in collecting and interpreting minerals data is recognized. While there has been some debate on whether too much or not enough data is being reported, industry has consistently urged full reporting of quantitative supply/demand data. As owner of one-third of the

nation's lands, as purchaser and seller of raw materials for stockpile programs, and as law-maker affecting trade, tax, investment and environmental policies, the government has a major impact on all levels of exploration and development as well as on the overall health of the mining industry.

The Administration will seek increased and improved cooperation from the private sector in responding to minerals and materials data requests.

The fragmentation of minerals/material data among many agencies of the Federal Government may inhibit location, access, and exchange of data necessary for analysis and decisionmaking. The Administration will examine the United States Government's minerals and materials data system, ensuring the full participation of all affected departments and agencies. The review will:

1) identify possible data gaps, duplications, inconsistencies, and redundancies;
2) ascertain the adequacy of minerals and materials analysis;
3) explore the benefits and costs of a National Minerals Information Center within the Federal Government as a central repository for material and mineral reports and information;

4) develop a means of providing adequate protection for proprietary and classified data; and,

5) develop a mechanism for regular briefings regarding minerals problems to the Cabinet Council on Natural Resources and Environment.

STRATEGIC AND CRITICAL MATERIALS STOCKPILE

OVERVIEW

Introduction

The United States must implement materials and minerals policy programs to ensure that America's capacity to field and sustain fighting forces in the event of war or national emergency is not curtailed by a shortage of critical raw materials. To ensure that capability, this Administration is initiating a major interdepartmental effort to improve the nation's preparedness for national mobilization.

This review will address, among other issues, potential national security impacts of shortages of strategic and critical materials. This comprehensive approach will lead to the most efficient use of national resources in the event of a national crisis, including protracted conflicts and will be coordinated at the highest levels of the Administration to ensure the vigorous pursuit of all essential elements to restore a strong and lasting foundation for national security. This comprehensive approach to revitalizing our nation's mobilization capability represents the most concerted high-level effort in the past twenty-five years. Preparedness in the area of materials and minerals availability is an important part of this effort.

Emergency Mobilization Preparedness Board

The people, government and economy of the nation must be prepared to work in concert to respond rapidly and effectively to meet national needs in the event of major peacetime and wartime emergencies.

President Reagan, to ensure this capability, established the Emergency Mobilization Preparedness Board (EMPB) on December 17, 1981.

The EMPB consists of the representatives of 23 key federal departments, agencies, and executive offices at the Deputy or Under Secretary level, normally meeting quarterly. The Chairman of the Board is the Assistant to the President for National Security Affairs.

The Board is tasked to develop overall policy and a plan of action that will immediately improve the nation's preparedness capabilities. As an additional task, the Board is responsible for monitoring federal agency implementation of these actions.

The Board has authority to resolve mobilization preparedness issues within the framework of current Administration policy.

The Board will perform the following functions:

1) Formulation of recommendations concerning policy for emergency mobilization preparedness.
2) Development of policy guidance documents for working groups and agencies to implement approved policies and plans of action.

3) Resolution of mobilization preparedness issues within the framework of current Administration policy.

National Defense and Critical Materials

To fulfill our basic national security objectives, the U.S. must be prepared to marshal the military and industrial resources to sustain an adequate war-fighting capability. An integral part of this effort is an enhanced industrial mobilization capability to sustain and resupply our military forces through protracted conflict. We must assure the responsiveness and staying power of the industrial base.

A crucial aspect of any industrial mobilization capability is a secure, reliable, and sufficient supply of critical raw and processed materials. The United States and its allies are heavily reliant on imports of certain critical raw and processed materials. Thus, a long-term supply interruption could have serious consequences for U.S. and allied security by disrupting capabilities to produce military and essential civilian goods either in a declared national emergency or wartime mobilization.

Statutory Authority

As a result of the national defense and security requirement for a secure and reliable supply of critical raw materials, the Congress has provided the President with comprehensive legislative authorities to meet these defense and national security needs, including the Strategic and Critical

Materials Stock Piling Act (SPA), as amended, and the Defense Production Act (DPA) of 1950, as amended. The SPA authorizes the National Defense Stockpile of strategic and critical materials. Title I of the DPA authorizes the use of priorities in fulfilling contracts for goods and services, and controlled allocation of critical materials, when necessary to meet the needs of national defense. Title III of the DPA authorizes the use of a variety of incentives to expand production capacity and supply to meet national defense needs.

DEFENSE PRODUCTION ACT

The priorities and allocations program which implements the authorities of Title I of the Defense Production Act has been a key tool for mobilizing industrial resources in support of current military programs or expanded defense requirements in an emergency period since 1950. It is used to schedule production to assure timely delivery today and is capable of adapting to future materials shortages or cut-offs. Historically, the system has been tested by shortages of such materials as cobalt, copper, nickel, steel, and titanium, resulting from strikes, war, natural disasters, international politics, and economic conditions. It can, however, only apportion materials within the United States.

Key Elements of the Defense Materials System and Defense Priorities System (DMS/DPS)

The DMS/DPS serves a dual purpose: it provides the means for exercising the priority and allocation authorities of the

President for the purpose of promoting the national defense or maximizing domestic energy supplies; and it provides a system which can be promptly expanded to direct the industrial sector of the economy to meet the exigencies of any emergency. The DMS/DPS is a flexible system which can be promptly adapted to special problems, particularly with respect to critical materials. Set-asides, specified minimum order quantities, and specified order lead times are effective tools to assure the equitable distribution of rated orders among all producers and suppliers, and assure timely delivery to defense programs. This assurance allows more effective handling of commercial business by providing producers with information as to the limits of their rated obligations. Other instruments, such as special priorities assistance, also can be effective in assuring timely delivery of materials in tight supply.

Action

The Administration is committed to increased effectiveness of this system through better understanding by government and industry of the principles and advantages of the system. The Department of Defense will continue to improve its educational program extending through the major commands to the acquisition staffs, including contract administration, and its defense contractors. The Department of Commerce (Office of Industrial Resource Administration) in cooperation with Defense, will coordinate with industry, and has already held 48 DMS/DPS training sessions during this Administration.

The Administration will improve the priorities and allocations system by simplifying the regulations. Toward this end, the Department of Commerce in June 1981, published in the Federal Register a proposed revision of the Defense Priorities and Allocations System (DPAS) Regulation.

THE NATIONAL DEFENSE STOCKPILE

Introduction

The Strategic and Critical Material Stock Piling Act states the stockpile is "... to decrease and preclude, when possible, a dangerous and costly dependence by the United States upon foreign sources for supplies of (strategic and critical) materials in times of national emergency." The Act further provides that the stockpile "... should be sufficient to sustain the United States for a period of not less than 3 years in the event of a national emergency ..." and "... is to serve the interest of national defense only and is not to be used for economic or budgetary purposes."

Stockpile goals are established by matching the requirements of military, essential civilian and basic industrial sectors in support of national defense for a three-year national emergency to an assumed level of secure supply of critical materials. The resultant shortfall determines the stockpile goal as of any given year. Figure 1 illustrates the current stockpile inventory as compared with 1980 goals. It is apparent that restructuring of the stockpile inventory is necessary because many of the materials in the

stockpile are either in deficit of their goal or in excess of their goal, and some are possibly technically deficient since they were acquired as long ago as the 1950s.

To fill the 1980 goals at March 1981 prices would require purchase of additional materials valued at approximately $12.5 billion. The stockpile inventory currently contains $7.64 billion of needed materials. Excess materials are valued at approximately $4.92 billion for a total stockpile value of $12.56 billion.

As shown in figure 2, the 61 family groups and individual materials in the stockpile can be divided into two categories:

1) 24 groups and individual materials with inventory equal to or greater than the goals. (39%)
2) 37 groups and individual materials with inventory less than the goal. Of these, the goals for 24 are less than 50% filled. (61%)

Planning

Each year, an Annual Materials Plan (AMP) is established representing a major effort by several agencies under the direction of the Federal Emergency Management Agency to develop a list of materials for stockpile acquisition or disposal. National security requirements are balanced against market constraints and fund availability.

Recent Action

On March 13, 1981, President Reagan ordered the first major stockpile acquisition in twenty years. In FY 1981, the Congress provided $100 million for acquisition, and the

President requested an additional $106 million for FY 1982, which is currently limited by resolution to $57.6 million. At Appendix B is a detailed listing of the current status of the stockpile, material-by-material, including the estimated current market cost for filling the stockpile to 1980 goals, and potential receipts from selling excess commodities.

The Administration will streamline the AMP planning process by providing for:

1) five-year planning guidance to form the basis for GSA acquisitions and disposals; and,
2) a fiscal year plan that matches annual budget ceilings, market conditions, immediate strategic requirements, and GSA purchase activities. In addition, GSA will chair a study group to determine whether there are inventory management deficiencies that can be corrected by measures such as rotation of stock and upgrading of storage sites.

Further Action

1. Stockpile Policy

The Administration continues to endorse the nation's stockpile policy. The key elements of the policy are:

* That the stockpile should be sufficient to meet the military, industrial, and essential civilian needs for the first three years of a war. (Required by statute).
* That the war scenario shall be consistent with the scenarios being developed by the Emergency Mobilization Preparedness Board chartered by Executive Memorandum dated December 17, 1981.

* That goals reflect detailed assumptions regarding changes in a wartime civil economy, wartime foreign trade patterns, shipping losses, wartime political and economic stability of foreign nations, and alternate foreign and domestic production levels for stockpile materials. (Assumptions were derived by a major interagency effort and endorsed by President Ford on August 6, 1976, and reaffirmed by Presidential letter dated October 10, 1977).

Pace of Acquisitions

Whatever level of funding is chosen through the appropriation process, the decision should ensure long range planning to facilitate acquisition storage site selection, site preparation, and personnel strategies.

The Administration will expeditiously dispose of those stockpiled materials held in excess of goals and acquire additional materials through the appropriations process. Additional materials will be acquired in keeping with budgetary constraints and other national priorities.

This program demonstrates a serious commitment by this Administration to enhance significantly the national security.

Two additional mechanisms, exchange and barter, are authorized for acquiring material for the stockpile. The Administration will seek cases where these are more efficient and effective mechanisms than open market transactions.

As part of the Administration's plan to use all appropriate and cost-effective means to fill stockpile deficiencies, President Reagan directed FEMA, acting through GSA and USDA, on November 24, 1981, to procure 1.6 million tons of Jamaican type metal grade bauxite for the Defense Stockpile during FY 1982. This large and cost-effective acquisition program will be accomplished through a combination of direct cash purchase and exchange with excess materials from our stockpile by GSA, and barter using agricultural commodities with USDA. Agricultural barter to acquire needed raw materials will thus be used for the first time in almost fifteen years. This barter arrangement follows from the Congressional mandate contained in Section 6 of the Stockpiling Act of 1979.

Status of Stockpile Inventory - Quality and Form

In the past, questions have been raised about the quality of the stockpiled materials. In addition, the form in which material is held may not be ideal for current industrial use. Recently steps were initiated to address the adequacy of the quality and the appropriate mix of alternative forms of existing materials.

Since the material in the stockpile is old, a careful review of the quality and form of stockpiled materials is in order. Therefore, this Administration will establish a panel, with appropriate private sector input, to review the extent of material deficiencies and to recommend remedial action, if needed. It should be noted that stockpile materials from past sales have been used with only minor difficulties.

Stockpile Alternatives

The stockpile is designed to meet the needs of a three-year national emergency for materials not readily available from domestic sources. Consequently, each annual ton of new domestic production reduces stockpile requirements by three tons for as long as productive capacity is available.

The U.S. has a wide variety of mineral and material resources. There is significant U.S. production of such materials as aluminum metal, beryllium, copper, iodine, mercury, molybdenum, titanium, and lead. The U.S. also has potentially significant but undeveloped resources of non-bauxitic aluminum, cobalt, guayule (natural rubber), platinum, nickel, and titanium bearing materials. For a variety of reasons, the private sector has not found it profitable to invest in domestic production of certain critical materials. Several disincentives to investment will be significantly reduced by many of this Administration's initiatives regarding economic recovery, unnecessary regulations, streamlining procurement practices, and federal land availability.

Title III of the Defense Production Act authorizes federal loans at below market rates of interest, loan guarantees, price supports, and guaranteed purchase levels. While this authority was used successfully during the 1950s, it has not been used recently except for the appropriation of $3 billion in FY 1980 for the development of a synfuels capability.

This Administration will rely primarly on the strategic stockpile as the primary means of providing for national defense objectives. However, analysis is now ongoing to determine whether circumstances exist under which the use of Defense Production Act incentives would be more cost-effective than stockpile purchases.

International Minerals Policy Coordination

Most industrial free market countries are more heavily dependent upon imported minerals than the United States (the two principal exceptions are Canada and Australia), but the United States is the only industrial nation with a significant stockpile of minerals and other critical materials for national defense. Other nations have investigated economic or strategic stockpiling of certain materials, but few programs have been carried out. Therefore, this Administration will initiate and conduct periodic and ad hoc consultation and coordination of the strategic and security policy aspects of non-fuel minerals and associated processing capabilities among industrial nations which are consumers of key materials.

We recognize our interest in policies which would create and maintain international markets for critical materials and the need of producing and consuming countries to cooperate to their mutual trade benefit.

APPENDIX A

Land Access Regulations:
Department of Commerce

Regulations	Need for Reform	Status*
NOAA: Deep Seabed Mining Regulations	Action accomplished. Promulgation of regulations removes uncertainty as to conditions for exploration.	Final rules for exploration licenses issued 9/15/81

Safety and Health Regulations:
Department of Labor

MSHA: Mine Safety and Health Act of 1977	The statute imposes some overly burdensome requirements. It is generally believed that statutory changes are necessary to provide relief.	Legislative alternatives are under review
MSHA: Metal/Nonmetal Safety and Health Standards (30 CFR Parts 55-57)	Many of the standards are ambiguous, outdated, duplicative, and disorganized.	Review in process; public conferences are being held
MSHA: Noise Standards (30 CFR Sections 57.5-50 and 70.500)	Noise standard needs to be revised to consider feasible and more effective alternatives to the present regulations.	Under review
MSHA: Civil Penalty Assessment Procedures (30 CFR Part 100)	More reasonable civil penalty regulations need to be developed.	Hearings have been held; still in rule making process
OSHA: Lead Standards	Means of abatement very costly. Review to focus on cost/effective approaches.	ANPRM published 4/81
OSHA: Asbestos Standards	Reviewing scientific evidence on asbestos.	Under review

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Regulations	Need for Reform	Status*
BLM: Recordation of Unpatented Claims (43 CFR Part 3830)	Present regulations are claimed to impose excessive filing costs and harsh penalties for noncompliance.	Under review
BLM: Preference Right Lease Application (43 Subpart 3521.1-1 et seq.)	Present requirements for preference right leases may delay development of valuable minerals.	Under review
BLM: Public Land and Resources: Planning, Programming and Budgeting (43 CFR Part 1600)	Existing regulations may impede day-to-day administration of public lands and, consequently, mineral development.	Proposed rules published 11/81
BLM: Areas of Critical Environmental Concern	Identification and designation of ACECs may be broader and more inclusive than envisioned under FLPMA, unnecessarily limiting access to resources.	Guidance being reconsidered
FWS: Endangered Species Act Rules (50 CFR Chs. I and II)	Review is evaluating changes in statute, regulations, and management practices.	Under review by Presidential Task Force on Regulatory Relief
FWS: Fish and Wildlife Coordination Act (50 CFR Part 410)	Review is evaluating changes in statute, as well as regulatory and management practices.	Under review by Presidential Task Force on Regulatory Relief
Land Access Regulations: Advisory Council on Historic Preservation		
Protection of Historic and Cultural Properties (30 CFR Parts 800)	Existing rules could be unnecessarily extensive and inflexible.	Revised rules under development by Advisory Council on Historic Preservation

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Environmental Regulations
Environmental Protection Agency

Regulations	Need for Reform	Status*
RCRA	Overly burdensome RCRA regulations could impose major costs on mining industry.	Congress ordered exemption of mining industry pending completion of three-year study. Study is now under review
Clean Water Act	Review will focus upon costs and water quality benefits of best available technology standard.	Act to be reauthorized in 1982. Standards presently under review
The following regulatory programs may be affected by the pending reauthorization of the Clean Air Act.		
PSD--Fugitive Dust	Almost all western surface mines are constrained.	Appeal pending in U.S. Court of Appeals for District of Columbia
Class I Visibility Protection/Integral Vistas	Regulations could block surface mining within view of national parks or wilderness areas.	Under review
CAA Exemption for Nonferrous Smelters (Section 119)	Exemption expires 1/1/88. Could substantially increase control costs in 1988 and shut down some smelters.	Additional nonferrous smelter orders to carry beyond the two five year postponements allowed by the present statute have been proposed.
National Ambient Air Quality Standards (particulates, SO_2)	Existing standards may be based on inadequate scientific data.	Under review

Environmental Regulations
Corps of Engineers

Clean Water Act: Section 404 Dredge and Fill Permit	Review focusses on changes in statute, regulations, and practices necessary for more cost/effective attainment of environment goals.	Under review by Presidential Task Force on Regulatory Relief

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APPENDIX B

NATIONAL DEFENSE STOCKPILE POLICY DIVISION
FEDERAL EMERGENCY MANAGEMENT AGENCY

COMPARISON OF INVENTORY TO FEMA GOALS

	INVENTORY MARCH 81 (UNITS)	FEMA GOALS (UNITS)	EXCESS OR DEFICIT (UNITS)	EXCESS OR DEFICIT ($1000)	VALUE OF DEFICIT ($1000)	VALUE OF EXCESS ($1000)
ALUMINA-ST	0.	0.	0.	0.	0.	0.
ALUMINUM-ST	1733.	700000.	-698267.	-1061301.	-1061301.	0.
BAUXITE,METAL GRADE,JAMAICA -LDT	8858881.	21000000.	-12141119.	-457841.	-457841.	0.
BAUXITE,METAL GRADE, SURINAM -LDT	5299596.	6100000.	-800404.	-32408.	-32408.	0.
ALUMINUM OXIDE, ABRASIVE GRAIN-ST	50786.	0.	50786.	58912.	0.	58912.
ALUMINUM OXIDE,FUSED CRUDE-ST	249867.	0.	249867.	64965.	0.	64965.
BAUXITE, ABRASIVE, GRADE -LCT	0.	750000.	-750000.	-95250.	-95250.	0.
ANTIMONY -ST	40729.	36000.	4729.	18916.	0.	18916.
ASBESTOS, AMOSITE -ST	42533.	17000.	25533.	13175.	0.	13175.
ASBESTOS, CHRYSOTILE-ST	8793.	3000.	5793.	8689.	0.	8689.
BAUXITE, REFRACTORY -LCT	174599.	1400000.	-1225401.	-306350.	-306350.	0.
BERYL ORE (11% BEO) -ST	17907.	18000.	-13.	-16.	-16.	0.
BERYLLIUM COPPER MASTER ALLOY -ST	7387.	7900.	-513.	-5181.	-5181.	0.
BERYLLIUM METAL -ST	229.	400.	-171.	-59166.	-59166.	0.
BISMUTH-LBS	2081298.	2200000.	-118702.	-297.	-297.	0.
CADMIUM-LB	6328809.	11700000.	-5371191.	-10743.	-10743.	0.
CASTOR OIL,SEBACIC ACID-LB	5009697.	22000000.	-16990303.	-7985.	-7985.	0.
CHROMITE, CHEMICAL , SDT	242414.	675000.	-432586.	-25509.	-25509.	0.
CHROMITE METALLURGICAL , SDT	1956824.	3200000.	-1243176.	-159126.	-159126.	0.
CHROMIUM, FERRO, HIGH CARBON-ST	402003.	185000.	217003.	150481.	0.	150481.
CHROMIUM, FERRO, LOW CARBON-ST	300192.	75000.	225192.	295227.	0.	295227.
CHROMIUM, FERRO, SILICON-ST	56986.	90000.	-33014.	-24695.	-24695.	0.
CHROMIUM, METAL-ST	3763.	20000.	-16237.	-130012.	-130012.	0.
CHROMITE, REFRACTORY GRADE ORE-SDT	391414.	850000.	-458586.	-43268.	-43268.	0.
COBALT-LB CO	40802393.	85400000.	-44597607.	-1114940.	-1114940.	0.
COLUMBIUM CARBIDE POWDER-LB CB	21372.	100000.	-78628.	-2218.	-2218.	0.
COLUMBIUM CONCENTRATES-LB CB	911239.	5600000.	-4688761.	-67097.	-67097.	0.
COLUMBIUM, FERRO-LB CB	598410.	0.	598410.	3764.	0.	3764.
COLUMBIUM, METAL-LB CB	44051.	0.	44051.	1776.	0.	1776.
COPPER-ST	28444.	1000000.	-971556.	-1915923.	-1915923.	0.
CORDAGE FIBERS, ABACA-LB	0.	155000000.	-155000000.	-80600.	-80600.	0.
CORDAGE FIBERS, SISAL-LB	0.	60000000.	-60000000.	-24000.	-24000.	0.
DIAMOND DIES, SMALL-PC	25473.	60000.	-34527.	-1553.	-1553.	0.
DIAMOND, INDUSTRIAL, CR. BRT.-KT	23692782.	22000000.	1692782.	4317.	0.	4317.
DIAMOND, IND STONES-KT	18723796.	7700000.	11023796.	245550.	0.	245550.
FEATHERS AND DOWN-LBS	0.	1500000.	-1500000.	-21825.	-21825.	0.
FLUORSPAR, ACID GRADE-SDT	895350.	1400000.	-504650.	-70651.	-70651.	0.
FLUORSPAR,METALLURGICAL GRADE-SDT	294875.	1700000.	-1405125.	-136998.	-136998.	0.
GRAPHITE, NATURAL-CEYLON,AMO LUMP-ST	5442.	6300.	-858.	-813.	-813.	0.
GRAPHITE,NATURAL-MALAGASY CRYSTALLINE-ST	17906.	20000.	-2094.	-1392.	-1392.	0.

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	INVENTORY MARCH 81 (UNITS)	FEMA GOALS (UNITS)	EXCESS OR DEFICIT (UNITS)	EXCESS OR DEFICIT ($1000)	VALUE OF DEFICIT ($1000)	VALUE OF EXCESS ($1000)
GRAPHITE,NATURAL-OTHERS-ST	1933.	2800.	-867.	-158.	-158.	0.
IODINE-LB	8009811.	5800000.	2209811.	15756.	0.	15756.
JEWEL BEARINGS-PC	54133806.	120000000.	-65866194.	-63890.	-63890.	0.
LEAD-ST	601026.	1100000.	-498974.	-359262.	-359262.	0.
MANGANESE, BATTERY GRADE,NATURAL-SDT	190864.	62000.	128864.	10567.	0.	10567.
MANGANESE,BATTERY GRADE, SYN-SDT	3011.	25000.	-21989.	-21989.	-21989.	0.
MANGANESE ORE, CHEMICAL GR-SDT	220955.	170000.	50955.	4178.	0.	4178.
MANGANESE ORE, METALLURGICAL GR-SDT	2409377.	2700000.	-290623.	-21236.	-21236.	0.
MANGANESE, FERRO, HIGH CARBON-ST	599978.	439000.	160978.	73303.	0.	73303.
MANGANESE,FERRO, LOW CARBON-ST	0.	0.	0.	0.	0.	0.
MANGANESE, FERRO, MEDIUM CARBON-ST	28920.	0.	28920.	21950.	0.	21950.
MANGANESE, FERRO, SILICON-ST	23574.	0.	23574.	11551.	0.	11551.
MANGANESE METAL, ELECTROLYTIC-ST	14172.	0.	14172.	19841.	0.	19841.
MERCURY-FL	191391.	10500.	180891.	75070.	0.	75070.
MICA, MUSCOVITE BL, ST & BET-LB	5005704.	6200000.	-1194296.	-6460.	-6460.	0.
MICA, MUSCOVITE FLM, 1ST & 2ND-LB	1273855.	90000.	1183855.	13881.	0.	13881.
MICA,MUSCOVITE SPLT-LB	19035162.	12630000.	6405162.	12810.	0.	12810.
MICA, PHLOGOPITE BLK-LB	16718.	210000.	-193282.	-416.	-416.	0.
MICA, PHLOGOPITE SPLT-LB	1918265.	930000.	988265.	988.	0.	988.
MOLYBDENUM DISULPHIDE-LB MO	0.	0.	0.	0.	0.	0.
MOLYBDENUM, FERRO-LB MO	0.	0.	0.	0.	0.	0.
NICKEL-ST NI+CO	0.	200000.	-200000.	-1400000.	-1400000.	0.
OPIUM, GUM-AMA-LB	31795.	0.	31795.	6715.	0.	6715.
OPIUM, SALT-AMA LB	39508.	130000.	-90492.	-52388.	-52388.	0.
PLATINUM GROUP METALS, IRI-TR OZ	16991.	98000.	-81009.	-48607.	-48607.	0.
PLATINUM GROUP METALS, PALL-TR OZ	1252788.	3000000.	-1747212.	-244609.	-244609.	0.
PLATINUM GROUP METALS,PLAT -TR OZ	439597.	1310000.	-870403.	-413440.	-413440.	0.
PYRETHRUM-LB	0.	500000.	-500000.	-6125.	-6125.	0.
QUARTZ CRYSTALS-LB	2420838.	600000.	1820838.	10925.	0.	10925.
QUINIDINE-AV OZ	1798762.	10100000.	-8301238.	-35697.	-35697.	0.
QUININE-AV OZ	2770214.	4500000.	-1729786.	-5536.	-5536.	0.
RUBBER-LT	119208.	850000.	-730792.	-1055850.	-1055850.	0.
RUTILE-SDT	39130.	106000.	-66870.	-21732.	-21732.	0.
SAPPHIRE AND RUBY-KT	16305502.	0.	16305502.	179.	0.	179.
SILICON CARBIDE, CRUDE-ST	80548.	29000.	51548.	23197.	0.	23197.
SILVER (FINE)-TR OZ	139500000.	0.	139500000.	1848375.	0.	1848375.
TALC, STEATITE BLK & LMP-ST	1092.	28.	1064.	394.	0.	394.
TANTALUM, CARBIDE POWDER-LB TA	28688.	0.	28688.	4970.	0.	4970.
TANTALUM METAL-LB TA	201033.	0.	201033.	28145.	0.	28145.
TANTALUM MINERALS-LB TA	1399143.	8400000.	-7000857.	-812101.	-812101.	0.

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THORIUM NITRATE-LB	7141812.	600000.	6541812.	17990.	0.	17990.
TIN-LT	200112.	42000.	158112.	2291839.	0.	2291839.
TITANIUM SPONGE -ST	21465.	195000.	-173535.	-2505849.	-2505849.	0.
TUNGSTEN CARBIDE POWDER-LB W	1921167.	2000000.	-78833.	-1171.	-1171.	0.
TUNGSTEN, FERRO-LB W	840752.	0.	840752.	10005.	0.	10005.
TUNGSTEN, METAL POWDER-LB W	1566964.	1600000.	-33036.	-459.	-459.	0.
TUNGSTEN ORES & CONCENTRATES-LB W	57113166.	55450000.	1663166.	14769.	0.	14769.
VANADIUM, FERRO-ST V	0.	1000.	-1000.	-14100.	-14100.	0.
VANADIUM PENTOXIDE-ST V	541.	7700.	-7159.	-77955.	-77955.	0.
VEGETABLE TANNIN , CHES -LT	16717.	5000.	11717.	6326.	0.	6326.
VEGETABLE TANNIN , QUEB-LT	142691.	28000.	114691.	67644.	0.	67644.
VEGETABLE TANNIN, WATTLE-LT	16397.	15000.	1397.	782.	0.	782.
ZINC-ST	375970.	1425000.	-1049030.	-894297.	-894297.	0.
TOTAL				-8470568.	-13928488.	5457921.

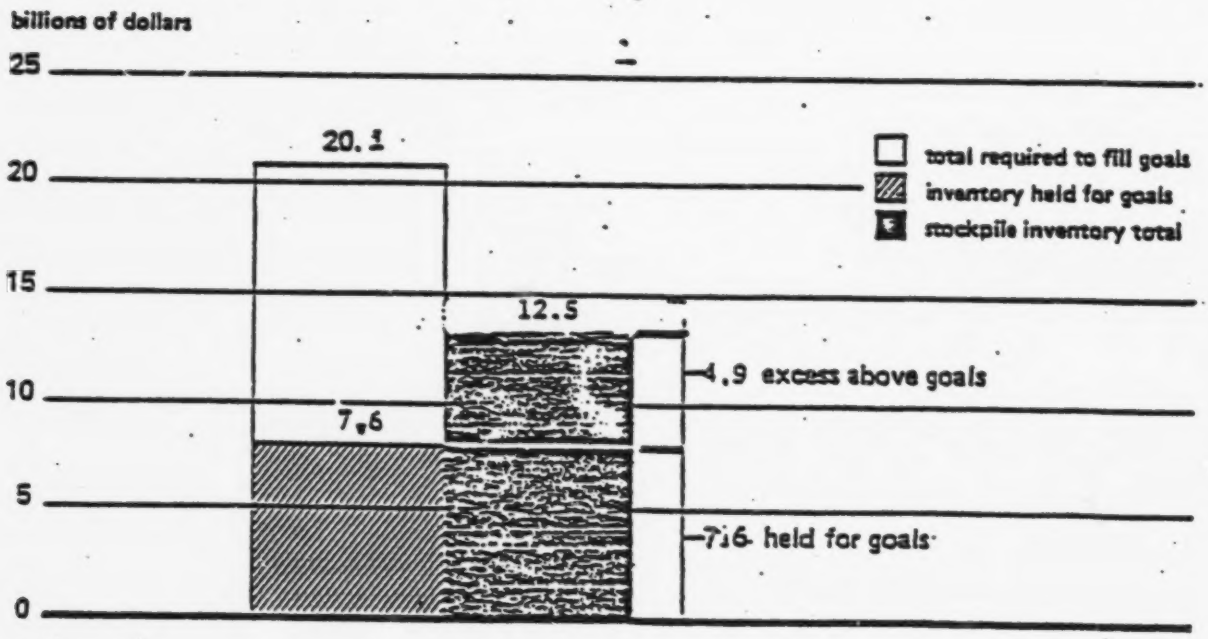

Figure 1

Restructuring of stockpile to meet 1980 goals.

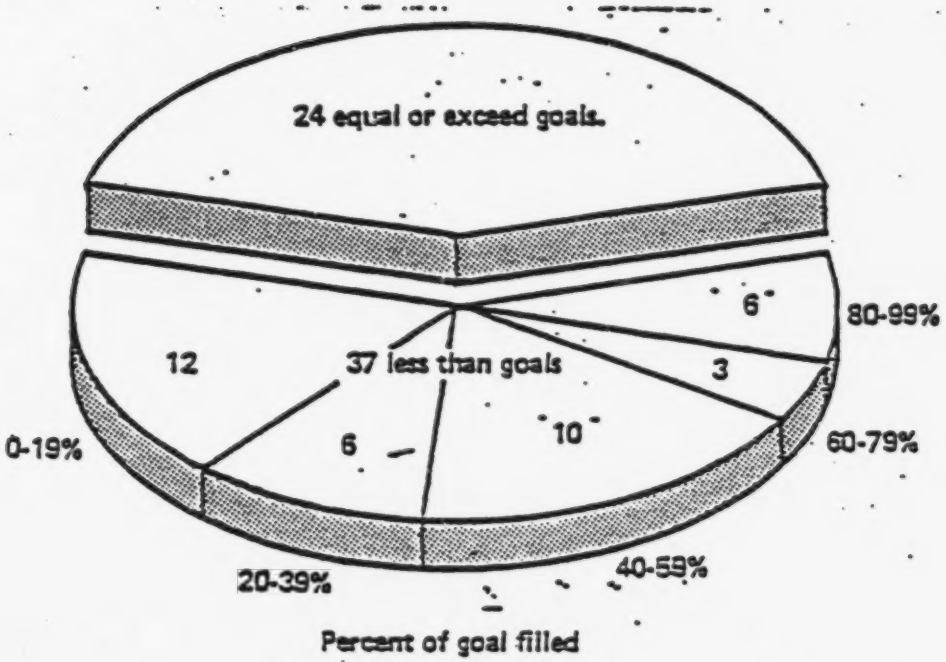

Figure 2

Status of the 61 family groups and individual materials in the stockpile inventory toward meeting the 1980 goals.

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